MINUTES
of the
SECOND MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE

July 2-3, 2008
Sagebrush Inn and Conference Center
Taos, New Mexico

The second meeting of the Revenue Stabilization and Tax Policy Committee (RSTP) was called to order by Representative Edward C. Sandoval, chair, at 9:38 a.m. at the Sagebrush Inn Conference Center in Taos, New Mexico.

Present
Rep. Edward C. Sandoval, Chair
Sen. Carlos R. Cisneros, Vice Chair
Rep. Anna M. Crook
Sen. Dianna J. Duran
Rep. Keith J. Gardner
Rep. Roberto "Bobby" J. Gonzales
Rep. William J. Gray
Rep. Ben Lujan, Speaker of the House
Rep. Daniel P. Silva
Sen. H. Diane Snyder
Sen. James G. Taylor
Rep. Thomas C. Taylor

Absent
Sen. Mark Boitano
Sen. Kent L. Cravens
Rep. George J. Hanosh
Sen. Timothy Z. Jennings
Sen. Bernadette M. Sanchez
Sen. John Arthur Smith

Designees
Rep. Henry Kiki Saavedra
Sen. William E. Sharer (07/02/08)

Rep. Janice E. Arnold-Jones
Sen. Sue Wilson Beffort
Rep. Donald E. Bratton
Rep. Nathan P. Cote
Sen. Phil A. Griego
Sen. John T.L. Grubesic
Sen. Stuart Ingle
Sen. Gay G. Kernan
Sen. Cisco McSorley
Sen. Steven P. Neville
Rep. Andy Nuñez
Rep. John Pena
Sen. Leonard Lee Rawson
Rep. Debbie A. Rodella
Sen. Nancy Rodriguez
Sen. John C. Ryan
Rep. Don L. Tripp

Approved for Attendance,
Rep. Luciano "Lucky" Varela,

(Attendance dates are noted for those members not present for the entire meeting.)

Staff
Pam Ray, Staff Attorney, Legislative Council Service (LCS)
Doris Faust, Staff Attorney, LCS
Doug Williams, Economist, LCS
Tim Crawford, LCS

Guests

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

Wednesday, July 2

Senator Cisneros, representing Taos, Rio Arriba and Santa Fe counties, was asked by the chair to continue to chair the meeting.

Summary and Preview

Ms. Ray reviewed the topics discussed at the RSTP meeting on June 5, 2008. A review of the agenda from that meeting can be found in the June 5, 2008 minutes. She also reviewed the agenda for the current meeting. No changes were required.

Mayor of Taos and Chair of the Taos Board of County Commissioners

Charlie Gonzales, chair, Taos Board of County Commissioners, greeted the committee and welcomed everyone to Taos. Mr. Gonzales previously was the mayor of Questa, New Mexico. He discussed the fire danger for the July 4 weekend. He noted that the Carson National Forest is open and expects heavy usage this weekend.

Bobby Duran, mayor, Town of Taos, also welcomed the committee members to Taos and thanked them for choosing Taos as the location for their meeting.

Revenue Impact of Federal Legislation

Tom Clifford, research director, New Mexico Tax Research Institute (NMTRI), discussed the state and local revenue impacts that are possible due to the 2008 Federal Economic Stimulus Act.

Mr. Clifford noted that there are three main components of the federal economic stimulus legislation:

1. individual rebates of $600 per person and $300 per child;

2. 50 percent bonus depreciation of equipment costs may be deducted immediately, thus allowing the depreciation to lower immediate tax liabilities, but causing loss of future tax benefits due to asset depreciation; and

3. Section 179: expenses on a limited amount of equipment may now be deducted immediately rather than depreciated over time, reducing liability now with an offsetting increase later.

The reason that these stimulus provisions are important to New Mexico is because the New Mexico income tax is coupled to the adjusted gross income provisions of the federal income tax. Mr. Clifford noted that there is some estimating and adjusting to figures because the federal fiscal year runs from October 1 to September 30, so the state only overlaps a federal fiscal year by nine months, and comparisons between federal tax collections and state tax collections require some adjustments to allow a comparison.

The basic conclusions that Mr. Clifford pointed out were:

- the federal economic stimulus legislation will result in almost $800 million of federal tax savings for New Mexico residents and businesses in 2008;

- because New Mexico income tax is coupled to federal income tax, the Federal Stimulus Act of 2008 will *reduce* state revenues by about $60 million over the 2008 income tax year and will *increase* state revenue collections from income tax after 2008;

- reduced federal taxes will stimulate spending by allowing taxpayers to keep more of their income in the short term, leading to higher income and higher state and local taxes, an increase of $47 million over 2008;

- the net state general fund revenue will be slightly negative, about $12 million over 2008, and will begin increasing again in 2009; and

- although the state could decouple from the federal tax, the negative impact of the Federal Stimulus Act of 2008 is for a one-year period only. Remaining coupled to the federal provisions will allow for increases in the future based especially on the depreciation benefits given.

Decoupling from the federal tax provisions is a question that arises fairly often. There are benefits and shortcomings to decoupling. New Mexico is among very few states whose income tax system is still linked to the federal tax system. In this particular case, decoupling would give a benefit in the first year and will not substantially alter the positive dynamic impacts that would be expected in upcoming years. The drawback to decoupling is in the level of complexity that would result. Taxpayers would need two sets of depreciation schedules applying only to equipment purchased during the period covered by the law, one for state tax purposes and one for federal tax purposes. These would have to be maintained for the life of the equipment.

Decoupling would not be in the best interests of the state because the federal stimulus act is a temporary act that will have an effect for a limited time.

Of the personal income tax (PIT) taxpayers who get rebates, one-half are expected to expend the rebate for goods or services within six months. The remainder will be saved or used to pay down debt. The depreciation benefits for businesses are expected to have a smaller impact, and only 25 percent of those receiving the benefit will spend the savings on goods or services immediately.

Some confusion developed over the multiplier effect, with some legislators suggesting the multiplier effect in New Mexico communities could be less than expected nationally, simply because fewer goods and services can be obtained through the local market. This is especially true for business expenditures. Mr. Clifford noted that although Super Walmarts increase the tax base of a community, they do not allow profits from the store to remain in the community; rather, they are sent to their headquarters. Also, all Super Walmarts do their purchasing from central warehouses, thus reducing their local purchases. To improve the multiplier effect, local businesses need to be encouraged because profits are kept locally, and purchases to support the business are more likely to be made locally. This supports the need for New Mexico to become more involved with the streamlined sales tax effort to make certain that internet sales have New Mexico taxes captured from them.

Lodger's Fee for Recreational Facilities

Mark Yarvits, chair, Park and Recreation Advisory Board, Town of Taos, and Thomas Tafoya, member, Park and Recreation Advisory Board, Town of Taos, discussed the need for a special lodger's fee to help recreational facilities in Taos.

A discussion ensued about why the lodger's tax could not be used. Lodger's tax is limited in its use and maximum imposition. A lodger's tax cannot exceed five percent of the gross taxable rent for lodging. Most of the lodger's tax must be used for "advertising, publicizing and promoting tourist related attractions, facilities and events". The wording of the statute was negotiated by municipalities and tourism lobbyists through a hard-fought battle. Taos needs this money to construct facilities. It is unlikely that changes could easily be made. The difficulty in obtaining consensus from all of the interested parties to make changes to include the tax increases desired by Taos for the purposes for which it is seeking the increase have led the Park and Recreation Advisory Board to set a surtax or fee on lodging rather than to amend the existing Lodgers' Tax Act. Surtaxes have been implemented in several communities: Las Cruces, Santa Fe and Angel Fire. This is the type of fee that Taos would like to implement on a countywide basis.

Minutes

The minutes of the June 5, 2008 meeting were moved for approval by Senator Taylor and seconded by Representative Gray. The minutes were approved without objection.

Tax Increment Development District Revenue Report and SunCal Update

Jim Nunns, tax policy director, Taxation and Revenue Department (TRD), presented information on the state gross receipts taxes distributed to Mesa del Sol, the only tax increment development district (TIDD) to which tax increments are being distributed at this time. The first distribution to Mesa del Sol of its share of gross receipts taxes was made in March 2008 of money from taxes paid for January. Gross receipts taxes are collected by the twenty-fifth day of the month following the month in which the gross receipts are earned. January's gross receipts taxes were remitted by February 25 and distributed in March. Out of 6.75 percent of gross receipts taxes due to Bernalillo County, 62.2 percent is distributed to Mesa del Sol. One-half of the companies reporting gross receipts taxes in the Mesa del Sol area reported they were in the construction phase of their development. Out of the 62.2 percent of the gross receipts taxes generated from Mesa del Sol, 67.5 percent is distributed from state gross receipts taxes collected. These are gross receipts taxes that the state would have received, but for the creation of the Mesa del Sol TIDD. However, it could be argued that construction would not have been this far along and there would, therefore, be no new taxes from the area. April gross receipts taxes distributed in June were $198,562.08, up from $39,512.02 in March. The March gross receipts tax distribution was almost five times the February gross receipts tax distribution ($9,922.33) and over twice the January gross receipts tax distribution ($15,435.71). Of the four months of collected gross receipts taxes that were distributed by the date of the meeting, the state's share of the total distribution of $263,432.14 was $177,734.89. The percent of tax distributed so far is 62.2 percent of gross receipts taxes received. This amount is 67.5 percent of the state's share of those gross receipts taxes. These distribution percentages will not change unless the taxes imposed change.

The money distributed to Mesa del Sol will be used for horizontal infrastructure, such as water, sewer, roads and utilities. The committee requested information about the amount of money received by the University of New Mexico and by the State Land Office due to land sales for Mesa del Sol. Mr. Clifford noted that the NMTRI supports the state in its efforts to obtain more data so that the success of the use of tax increment financing of Mesa del Sol can be evaluated. There are two other TIDDs that have been created: Upper Petroglyphs of SunCal and a TIDD from the City of Las Cruces. The Las Cruces TIDD is in an area where businesses already exist, so the base gross receipts taxes will not be zero for that TIDD. Other TIDDs under consideration are the Verde TIDD, Winrock and Albuquerque Uptown TIDD (or possibly TIDDs), and a Farmington TIDD.

Currently, there is no formal requirement that a state agency gather data and evaluate the success of TIDDs.

Mr. Nunns identified several technical issues that the TRD would like to see corrected.

- The phrases "base gross receipts taxes" and "gross receipts tax increment" are defined in terms of tax collections, but should be defined as taxable gross receipts before the food and medical deductions; otherwise, there would be no gross receipts distribution for food or medical sales.

- "Base gross receipts taxes" must be determined by an estimate that will be difficult to develop, so instead, these taxes should be estimated from actual receipts in the first year a district has a dedicated gross receipts tax increment, especially for TIDDs with a preexisting gross receipts tax base.

- The 25-year limit on the term of all bonds issued by a district from the date the first bond is issued creates a strong incentive for projects to be divided into multiple districts. This increases the administrative burden for reporting and increases the likelihood of errors. Each district requires a separate location code for reporting gross receipts taxes. Districts could be allowed to bond for 25 years against the increment to its gross receipts tax base in each of the initial years of the district, so the project's 25-year bonding authority term is staggered over the development phase of the project.

- Under current law, there is no provision for the allocation of any excess amounts of TIDD distributions after the termination of the district (and repayment of any outstanding bonds), and it has been suggested that a governing body could withdraw any revenue not needed for debt service at any time. To clarify how these funds are to be handled, explicit rules should describe the circumstances under which there are "excess increment revenues" that can be used for purposes other than debt service on increment bonds. The rules should specify which portion of those revenues revert to the general fund if any part of the gross receipts tax increment distributions were dedicated by the State Board of Finance (SBF) from state gross receipts taxes.

- Some additional minor technical changes may also be needed to clarify the law and facilitate tax compliance and administration.

- The TRD will need to make significant system changes to make distributions to a district that has non-zero "base gross receipts taxes", or a change in area. This will first need to occur for the Las Cruces TIDD and may require diversion of resources from other high-priority systems work to begin distributions by January 1, 2009.

A timeline of the TRD involvement with a TIDD is included in the handout in the committee file. Mr. Clifford noted that the NMTRI supports the need for more data to be made available to those entities that are following the impact of TIDDs on the New Mexico economy. Currently, there is no statutory requirement that a state agency analyze the impact of TIDDs as they are constituted on state revenue. The data should also be available to municipalities and counties in which TIDDs are located.

Mesa del Sol should report back to the committee in December with the breakdown of how much revenue is being generated by businesses generating gross receipts taxes from sources other than construction. There are annual reports required by the SBF that provide job creation statistics and other information on a TIDD. In addition, the Department of Finance and Administration may require periodic updates from the TIDDs on the bond and revenue balance. The NMTRI was requested to make a comparative analysis of the state's TIDD programs.

Mr. Nunns pointed out that the SBF is required to make some difficult assumptions about:

1. whether a business would have begun elsewhere or, without the TIDD, the business would never have been developed in New Mexico; and

2. whether a business has not created a net increase in revenue but has simply relocated in the state, possibly reducing the tax base of another municipality or county.

The New Mexico Finance Authority (NMFA) has oversight of the bond issues from each TIDD. The TIDD proposed for Winrock is considering using geothermal resources in the area for energy. As yet, TIDDs that are not producing gross receipts taxes are SunCal and the City of Las Cruces.

Vanessa Alarid, SunCal, spoke about the status of that TIDD. The TIDD will again introduce a bill for authorization to receive distributions from county and state gross receipts taxes. The SunCal TIDD is being developed with more modest distributions than Mesa del Sol. SunCal will split the gross receipts tax increments with the county 50-50. Richard Minzner, SunCal, noted that the initial step of creating the TIDD was to purchase the interest in the land from the Atrisco Land Grant heirs. SunCal must demonstrate to Bernalillo County that the gross receipts tax revenue distribution will be sufficient to repay bonds issued and that the remaining distribution to Bernalillo County will be sufficient to pay for county services that will be required by the TIDD. The TIDD must also comply with state purchasing laws. The TIDD will provide a balanced planned development, the value of which must be weighed against the uncontrolled and unplanned development that would normally occur on the west side of Bernalillo County. The TIDD does ensure that the growing community will pay for itself. The community will be one where residents can live, work and play in the same development with planned growth and services. It should not be parasitic on the local economy and should attract new businesses that were not intending to come to New Mexico.

Mesa del Sol will add $1 million in property taxes to the county tax rolls.

Gross Receipts Tax Increment for Education-Sunset and Gross Receipts Tax Deduction for Taos Government Complex

Representative Gonzales opened the presentation by noting that 18 years ago, Taos requested a special 0.5 percent gross receipts tax increment from the legislature. It was approved by the legislature and put before the voters. When the hospital bonds that were issued to be paid by the gross receipts tax increment were repaid, the county returned to ask the legislature for authority to use the 0.5 percent increment for public school construction. Gross receipts taxes in Taos County are high, but the county would like to renew this 0.5 percent increment for education capital.

On another issue, the Taos Board of County Commissioners Chair Charlie Gonzales noted that the residents of the county in 2001 rejected funding for a new government administration complex. In 2007, the county again requested the people to approve a tax for the county governmental complex, and the referendum passed by a margin of two to one.

Sammy Pacheco, Taos County attorney, noted that the voters adopted the last 1/16 percent gross receipts tax increment allowed and can now pay NMFA bonds off with local gross receipts tax revenue. There is, however, a $13 million gap between costs and revenue available from taxes already in place, capital appropriations from the legislature and loans from the NMFA. In 2008, the county received $200,000 of the $10 million requested from the legislature for the governmental complex. If the cost of tax paid on the construction of the government administration complex were eliminated, that would save $3 million of the $10 million still needed on the project.

The bill presented to the committee allows contractors with the Taos County building a local government complex to present a non-taxable transaction certificate so that gross receipts taxes will not be charged on construction services, equipment and materials. Bill Fulginiti, New Mexico Municipal League, noted that the federal government might not approve of the state giving a specific tax exemption for construction of a government building for a county when the federal government would still be required to pay those taxes on its construction projects. Other legislators thought this might be a good idea for large governmental construction projects in their own districts. Concerns that this tax benefit might impair interstate commerce were also raised.

Regional Transit District Update

Josette Lucero, executive director, and Jack Valencia, project manager, North Central New Mexico Regional Transit District (NCRTD), presented an overview of the operation and activities of the NCRTD and an update on the status of the City and County of Santa Fe in the NCRTD.

There are now four transit districts in the state. Previously, there were 29. According to Ms. Lucero, the NCRTD believes that a state transit fund should be created to allow a stable revenue source to be created. A state transit fund could receive money from the federal government for transportation systems that will include the pueblos. Ohkay Owingeh and the Pueblos of San Ildefonso, Pojoaque, Tesuque, Taos and Santa Clara are members of the NCRTD. Twenty-two vehicles are now running from Rio Arriba County and Espanola to Santa Fe. Santa Fe County will meet on July 7 to decide if the county will remain a member of the NCRTD. If the county leaves the district, the City of Santa Fe has already decided it will opt out also. Right now, the NCRTD includes four counties: Santa Fe, Rio Arriba, Taos and Los Alamos. The NCRTD provides bus service from Questa to Santa Fe.

Mr. Valencia noted that only five percent of the transit needs of northern New Mexico have been met so far. Thirty million dollars is needed to bring rural transit initiatives up to 20 percent of the recognized need. The transit district has been trying to obtain money from the state for the last seven years, but none has been appropriated. The federal government has contributed $550,000 to the communities of north central New Mexico during that period to provide mass transit. The transit district will now tie its routes into the Rail Runner. The city and county are concerned that residents of Santa Fe County will be taxed for the NCRTD and also for the Rail Runner costs. The NCRTD was hoping to obtain $23 million in operational revenue from Santa Fe County from the 1/16 percent gross receipts tax to be imposed. Santa Fe County is trying to retain all of the Santa Fe County and City of Santa Fe gross receipts taxes for projects that are specifically for Santa Fe County.

Bruce Rizzieri, Rio Metro Regional Transit District (RMRTD) manager, explained that his region contains 50 percent of the state's population and is where 45 percent of the state's employment is located. The RMRTD is always squeezed for funds. New Mexico is one of four states that does not have a state transit fund. Park and Ride services have been created to provide service in rural areas, such as from Rio Arriba, Taos and Los Alamos counties to Santa Fe and from Grant and Otero counties to Las Cruces. Park and Ride services also provide additional transit options for the elderly and are funded by a one percent increase in gross receipts taxes. The Rail Runner is now transporting around 3,000 passengers per day. Recently, cars have had to be added to accommodate the increased ridership. Parking must also be increased. The tax on the ballot in November will add parking spaces. It is expected that the ridership from Belen to Santa Fe will double the numbers using the Rail Runner. Stops are soon to be opened for the Pueblo of Isleta and Bosque Farms. A stop will be added once a station is constructed, and the local government desiring the stop must contract to have the station built. Committee members noted that for the various bond issues and other taxes to be successful in the fall, each local area will have to do its own promotions. It is clear that demands for alternative modes of transportation other than private vehicles are increasing throughout the state in both rural and metropolitan areas.

The committee recessed at 4:32 p.m.

Thursday, July 3

The committee was reconvened by Representative Sandoval at 9:33 a.m. The gavel was handed to Representative Gonzales, who represents much of Taos County.

Taos County Assessor

Darlene Vigil, Taos County assessor, spoke about the property tax issues that she is receiving input on from county residents. She noted that there was 49.95 percent per year population growth and rapid growth in the real estate market in Taos County. Gerald E. Nichols, chief appraiser and GIS coordinator, Taos County, informed the committee that there is no computer-assisted mass appraisal (CAMA) system in Taos County, so all valuations are done by hand. It is a very time-consuming process. As the population and properties that must be considered increase in number, the process gets more difficult. His staff checks properties to ensure that the taxation is correct. Staff look at square footing and the type of housing. Taos is a county with a two-year valuation cycle. In 2005, the county experienced a 20 percent increase in values but could generally only increase values by three percent. Now the assessment ratio is about 50 percent of market value. When new construction and sold homes are valued, the county sees substantial increases in valuation. Purchasers are surprised that they have to pay taxes that are substantially greater than the prior owner paid. Many times, escrow accounts are insufficiently funded to cover the increased tax burden.

Mr. Nichols noted that, in his experience, yield control has worked well in the past. He noted that increases in value generally drove tax rates lower. Now, due to the three percent limitation, yield control is not working to keep rates lower.

Mr. Nichols also noted that a CAMA system would benefit Taos County by allowing the assessor's office to manage data better and more accurately. It would help maintain a more consistent level of expertise in the office. When he leaves, much of the detail of valuing property and the historic issues that have arisen will leave with him. Computer skills and knowledge and the ability to manipulate data are important to provide accurate valuations in the current market.

It was noted that a large part of the problem of "tax lightning", as Mr. Nichols called the large increases in valuation and property taxes upon sales of homes or when a person constructs a new home, becomes alarming when the new owner is not informed about the increase in property taxes that the owner will experience in the second year of ownership. Mr. Nichols and Ms. Vigil noted that, in Taos County, the assessor's office will estimate the property taxes for a new owner if the owner will contact the office.

Some suggestions of resolutions that would ease the "tax lightning" situation were:

- to set a time limit on the three percent cap; the longer it is permitted to continue, the greater the discrepancy between the old owner's taxes and the new owner's taxes;

- occasionally, the assessor must address the difference between the actual tax on a home and the market value; and

- periodic reappraisals should be permitted and sales ratio analyses should be completed. The valuations should provide the assessor with 98 percent of the market value of a property. Prior to sale, these sales ratios should be compared to the sales price of the property.

Concerns exist that new purchases and reconstruction in old neighborhoods will raise the values of properties that are not upgraded. Disclosure by Realtors, mortgage companies and title companies is necessary and should be mandated. Ms. Vigil responded to a question about the current real estate market in Taos by stating that prices are still increasing, but fewer homes are selling. She also noted that assessors have less information on commercial property because sales prices are not required to be disclosed. It was noted that because it took three legislative sessions to get residential property sales price disclosure mandated, commercial property sales price disclosure will also present a battle.

A further discussion of yield control ensued. It was noted that the three percent limit does not limit increases in valuation for commercial properties. Increased revenue for a county of five percent is permitted by yield control for existing ownership. New construction and transfers are not included in the five percent yield limit. Revenues increase with the amount of new construction in a community. Yield control also does not include debt service in its calculations. If the three percent limitation were lifted, local elderly people whose homes have been in the family for many years could be forced out of their homes by the increased property taxes on the property.

PIT Simplification and Poverty Reduction Task Force Progress

Rick Homans, secretary of taxation and revenue, and Mr. Nunns both discussed the Poverty Reduction Task Force recommendations and the benefits of the PIT simplification that Representative Sandoval introduced in the 2008 legislative session. A handout is in the meeting file. Secretary Homans is the chair of the Poverty Reduction Task Force.

Mr. Nunns spoke first about the PIT simplification bill. He noted that the TRD believes that the bill:

- increases fairness;

- decreases the costs of implementation both for the filer and the TRD;

- reduces the time taxpayers have to devote to preparation of taxes; and
- increases the flexibility of the tax system so that changes in federal income taxes are not reflected in the state revenue from state income taxes.

A new credit would replace several of the low-income and middle-income tax credits that are currently available to taxpayers, and the income levels would be adjusted automatically through indexing. Modified gross income (MGI) would be used rather than adjusted gross income (AGI), and the tax tables would include the credits and dependent exemptions now available. Pages 4 through 6 of the handout show the parts of the PIT forms that would be changed. A few people would have increased income above AGI, but far more would have reduced income reflected as MGI. Because there is no longer progressivity built into the income tax rates, all progressivity is provided by the array of income tax credits provided for low- and middle-income people, with the greatest effectiveness for people with incomes between $20,000 and $60,000. As the federal income tax laws change, the effect will not be as direct on state revenues.

Secretary Homans discussed the activities of the Poverty Reduction Task Force. The purposes of the Poverty Reduction Task Force are to research and consider:

- strategic initiatives to address hunger, housing and child care needs;
- adequate compensation and a fair minimum wage;
- tax credit changes to encourage work and reward work effort;
- more equitable eligibility requirements for unemployment benefits;
- easing access to higher education and promoting completion; and
- creating better employment opportunities for all New Mexicans.

The task force has reviewed the existing tax credit initiatives, such as the child daycare tax credit and the working families tax credit. The task force is required to present its findings to the governor on September 5, 2008. Changes will be sought to the child daycare tax credit to enhance its benefits to low-income taxpayers. More benefits for the elderly are also contemplated. It was noted by the committee that a single woman with children would have to increase her salary to $43,000 before she could increase her actual take-home pay.

The cost of child care can be a significant barrier to entry into the work force for workers with children, particularly for low-paid workers who might have to pay a large part of their earnings for child care. Average child care costs exceed over $5,000 per year, which would have a major effect on the budget of a single working mother. The current New Mexico child daycare credit is a refundable PIT credit of 40 percent of a worker's child care expenses for children under the age of 15 years. New Mexico residents with an income of up to $27,248, or twice the federal minimum wage as of July 24, are eligible to claim the credit. Federal credits claimed for child or dependent care would be subtracted from the amount refunded by the state. Governor Richardson proposes to double the New Mexico child daycare tax credit. This will increase the amount claimed for a family with three or more children from $1,200 to $2,400, for a family with two children from $960 to $1,920; and for a family with one child from $480 to $960. It will apply to families with up to twice the New Mexico minimum wage of $7.50 beginning on January 1, 2009, making the income limit $31,200. To encourage work, the credit will be phased out for incomes from $32,000 to $36,000. The estimated cost of the increased benefit will be $6.2 million in fiscal year 2010. See the handout for a comparison of the state's current and proposed child care tax credit and the federal child care tax credit.

Rural Transit Planning

Rhonda Faught, secretary of transportation, and Frank Sharpless, chief, Transit Rail Bureau, Department of Transportation (DOT) spoke about the status of the transit system the state is implementing and planning. David Harris, from the DOT, also spoke about the future of mass transit in New Mexico. They spoke about the need for regional transit districts (RTDs), such as the RMRTD. These districts are created to:

- consolidate existing services across jurisdictional lines;
- coordinate services;
- provide new or expanded services;
- maximize operating and administrative efficiencies;
- pursue federal funding; and
- seek gross receipts tax funding authority.

There are two RTDs moving forward with ballot initiatives to impose transit gross receipts taxes: the NCRTD and the RMRTD. Two other RTDs are working on their transit plans: the South Central RTD and the Southwest RTD. The Southwest RTD has approved taking over the Grant County "Corre Caminos" bus routes. The NCRTD will receive $300,000 to upgrade and integrate its service plan. It recently included Taos in the district, which will bring in additional funds to the NCRTD. The RMRTD will receive $250,000 from the state and will be receiving $646,392 for capital expansion and renovation. The Park and Ride system creates the fourth largest public transit district in the state and runs buses to connect the major transport hubs throughout New Mexico, especially during the most traffic-congested times of day. Now, the ridership is 1,437 daily, which is a 36 percent increase in the last few months.

Transit agencies are finding that they are putting more and more funds into covering increased fuel costs. Still, in rural areas, only five percent of the need is being met. Twenty-seven counties have some level of public transit. Federal funding is flat and may be decreased, so the state will be expected to pick up an increasing amount of the cost of expanding public transit in the state. It is possible that much of the current transit need could be covered by increasing the motor vehicle excise tax by one percent.

Secretary Faught said that the Pueblo of Isleta Rail Runner station will soon be operational. The RMRTD will dedicate one-half of its gross receipts taxes to the Rail Runner and the rest to bus routes, especially as feeder lines to the Rail Runner. That tax would add $13 million to the operating budgets of the three counties in the RMRTD. In response to a question from the committee, she noted that buses for the bus routes are generally purchased with federal funds. Rural areas are not able to access federal funding, except through the DOT.

The committee adjourned at 12:00 noon.